



**CASTLE ROCK EDINVAR**

HOUSING ASSOCIATION

Annual Report  
Year ended 31 March 2016

**Scottish Charity number SC006035**

**Registered Society number 1767R(S)**

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<b><u>Board of Management</u></b>	Dr. Cathy Garner Anna Evans Elaine Haddow Julie Jackson Stephen Oswald Liz Ritchie David Robertson Simran Soin Alister Steele Graham Waddell William Wood	<b>Chair</b>
<b><u>Executives</u></b>	Alister Steele Sandy Welsh Heather Macnaughton Chris Thomson Richard Jennings  Chris Martin	<b>Managing Director</b> <b>Head of Housing Services</b> <b>Head of Community Investment</b> <b>Head of Maintenance</b> <b>Head of Property</b>  <b>Company Secretary</b>
<b>Registered Office</b>	1 Hay Avenue Craigmillar Edinburgh EH16 4RW	<b>Solicitors</b> T C Young Melrose House 69a George Street Edinburgh EH2 2JG
<b>Registered Auditors</b>	KPMG LLP Arlington Business Park Theale Reading RG7 4SD	<b>Bankers</b> Barclays Bank 38 Fishergate Preston PR1 2AD

### Registration of the Association

Castle Rock Edinvar Housing Association is a Registered Social Landlord (HEP106) and is registered under the Cooperative and Community Benefit Societies Act 2014 (Registered Number 1767R(S)). It also has charitable status (Scottish Charity No. SC006035).

Castle Rock Edinvar is a member of the Places for People Group. The Places for People Group is registered under the Housing and Regeneration Act 2008 (number L4236) and under the Companies Act (number 3777037).

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The Board is pleased to present its report and Financial Statements for the year ended 31 March 2016.

### **Principal activities of the Places for People Group**

Places for People Group ("the Group") is a property development and place management group. The Group has specialist companies that provide housing for affordable rent, market rent and sale, commercial property, financial services, care and support services, leisure and regeneration products. Each of these activities can be delivered independently where required. What distinguishes the Group from its competitors is the ability to both develop and manage neighbourhoods. We believe that putting new or redeveloped housing and support infrastructure in place is only the beginning of our story. By combining the services provided by the Group with the skills of its staff and its financial strength, the Group is able to produce solutions which in other settings would require a whole range of private/public partnerships and different funding arrangements.

### **Vision, mission and values**

Places for People's vision is "Working to provide aspirational homes and inspirational places". This vision encapsulates the Group's long-term commitment to its neighbourhoods and their future sustainability. Castle Rock Edinvar and its subsidiary organisations play a key role in delivering the Group's business objectives in Scotland, through our mission of "Ensuring successful places and enabling people to reach their potential."

### **Principal activities of Castle Rock Edinvar**

Castle Rock Edinvar is a Scottish Registered Social Landlord (RSL) and Scottish Charity with its registered office in Edinburgh. It is a leading Scottish RSL both in scale and significance and considered by the Scottish Housing Regulator as being of systemic importance.

The aim of Castle Rock Edinvar and its two subsidiaries, Places for People Scotland and Places for People Scotland Care & Support, is to be a successful Scottish place management business harnessing the combined strengths of Places for People and the local Scottish companies. Our focus is in the Edinburgh and Lothians market area with expertise in the provision and management of affordable housing, delivery of publically commissioned care and support services and securing investment in our communities.

Together the Castle Rock Edinvar Group at 31 March 2016 owned and managed 10,281 (2015: 9,644) rented and shared ownership homes across eight local authority areas in Central Scotland and had a combined turnover of £51.8 million (2015: £42.5 million).

Castle Rock Edinvar owned and managed 6,558 properties at 31 March 2016 (2015: 6,457). The turnover of Castle Rock Edinvar from letting activities was £27.9 million during the year. Castle Rock Edinvar is also a significant employer with 171 FTE staff (2015: 169).

Castle Rock Edinvar's current strategic objectives which together contribute to delivering our purpose are:

- To create places where people will choose to live.
- To increase affordable housing opportunities.
- To provide highly regarded and effective customer focussed services in our neighbourhoods.

Business objectives have been agreed for 2016/17 to deliver these strategic priorities.

- Maintain financial strength and resilience generating profits for re-investment and ensuring long term sustainability.
- Invest and ensure growth to add social and financial value.
- Innovate and ensure continuous improvement, delivering value for money for customers and stakeholders.
- For our people, create a great and safe place to work.

### **Principal markets and associated risks**

Castle Rock Edinvar's principal market is in social rented housing which accounts for the majority of the total turnover. As a regulated social landlord we house people based on need and rents are set to be "affordable" to those on low income. We supply housing for a wide range of tenants, including for families, couples and single people and housing specifically designed for older people and those with additional support needs. To increase tenure diversity and offer choice we also offer shared ownership. Other tenure types are provided through our subsidiary company Places for People Scotland.

A focus on sustaining tenancies makes good business sense and helps ensure settled communities and tenants. Castle Rock Edinvar provides additional services over and above core housing management functions, such as neighbourhood planning, support and advice services and wider community investment, to achieve better outcomes for our customers and places.

The Board has identified the following current and future strategic risks:

- Demand for repairs and the volume and condition of void properties may impact on financial performance. 2015/16 performance saw a slight increase in the number of repairs required per property and a decrease in void costs and re-let times.
- Potential uncertainty around the implementation of the Smith Commission recommendations on the increased devolved responsibilities for housing benefit, taxation and other welfare costs.
- Managing the necessary capital expenditure to meet the business plan commitments for the medium term development programme and asset management strategy.
- Continued review of the rent policy to ensure long term affordability in light of the Scottish Housing Regulator scrutiny.
- Responding to the impact of Universal Credit, on our main income stream and the potential pressure on tenancy sustainment, as the number of our tenants affected by the implementation increases.
- Reviewing the effect of public expenditure cuts and the impact on funding streams and tenant sustainability.
- Continuing to monitor the Scottish Housing Association Pension Scheme liabilities. The final salary scheme closed to new members in April 2014.
- Group Treasury constantly review interest rates to consider fixing variable rates when interest rates rise. They report quarterly to the Associations' Audit & Risk committee and the Board.

The Board and Senior Management have developed, and regularly review, a Risk Map in accordance with Group procedures to evaluate each of these risks and to outline mitigation strategies.

### **Delivering successful outcomes in 2015/16**

As one of Scotland's leading housing associations we recognise the importance of innovation to grow and improve both the organisation and support the wider housing and place-making sector. In 2015/16, in collaboration with others, Castle Rock Edinvar achieved further ground breaking initiatives:

- The continued expansion of the "1,000 Homes for Edinburgh" initiative which has seen the leasing of a further 71 properties bringing the total number to 175 let at intermediate rent through our subsidiary company Places for People Scotland, generating additional income to invest in future development.
- We developed and took handover of 115 new affordable properties at Bellsdyke, Caltongate, Dirlton, Niddrie, South Gyle, Westerhailes, Rosewell and Moredun. We also have an additional 154 units scheduled for handover in 2016/17 across 8 separate developments.

### **Delivering successful outcomes in 2015/16 (contd)**

- Our involvement in a £4m Local Energy Climate Fund project, EastHeat, with a start up company in Scotland has resulted in investment of £816k into our properties during the year.
- Our Power, a not-for-profit energy provider established in collaboration with 40 other social housing providers has accepted its first energy supply customers as part of the planned start up programme. This will continue to roll out in the 2016/17 year across the member organisations. Castle Rock Edinvar staff have been trained in the meter installation process and provide a key resource for the business.
- 36 new properties have been handed over and a further 54 are in development as part of the Housing Fund Scotland programme to develop 200 new homes in Falkirk, Clackmannanshire and Stirling. The programme secured funding from Housing Fund Scotland through Places for People from a Local Authority Pension Fund investment.
- We have completed the redevelopment of 7 units at Bridge Street, Tranent funded by the Scottish Government Town Centre Housing Regeneration Fund. Further funding of £0.25m has been granted from the Town Centre Empty Homes Fund for the refurbishment of Darag, Mayfield into 6 units for 2016/17.
- Working with West Lothian Council, special interest groups and the wider community our Gospel Hall commercial premises has been redeveloped into the Armadale Shed. Investment received for capital and revenue funding, from Scottish Government People and Communities Fund and West Lothian Council Town Centre Improvement Fund, together with contributions from Castle Rock Edinvar have completed the building works and the premise has been stocked with necessary equipment.

Castle Rock Edinvar continues to develop and implement our strategy to be positioned as a leading housing association in Scotland.

### **Income and expenditure for the year**

Castle Rock Edinvar's turnover for the year ended 31 March 2016 was £32.2m (2015: £30.3m).

The total revenue and capitalised expenditure, including property services overheads, on repairs and improvements during the year amounted to £11.7m (2015: £11.5m). This represents expenditure on maintaining and improving our assets as part of the planned asset management programme.

Castle Rock Edinvar continues to benefit from low interest rates. The interest payable for the year ended 31 March 2016 increased from £0.9m in the previous year to £1.0m in the current year. This represented an average interest rate of 1.9% (2015:1.6%) per annum.

During the year to 31 March 2016 Castle Rock Edinvar sold 2 shared ownership properties amounting to £82,500 (2015: 2 properties).

The surplus for the year after receipt of £1.0m gift aid was £13.1m (2015: £10.9m). The reserves carried forward at 31 March 2016 were £79.8m (2015: £66.7m) which are predominantly invested in housing properties. More details of other income and expenditure are included in notes 2 to 10 to these accounts.

### **Balance sheet at 31 March 2016**

The depreciated cost of the Castle Rock Edinvar's housing assets at March 2016 was £353.6m (2015: £337.7m). These have been funded from Housing Association Grant (HAG) and other capital grants of £214.3m (60%), loans of £53.5m (15%) and the Association's own resources of £91.2m (25%).

### **Donations**

Castle Rock Edinvar received £1.0m in gift aid from Places for People Scotland Limited during the year ended 31 March 2016 (2015: £1.0m). During the year Castle Rock Edinvar made £4,100 (2015: £8,162) donations to community groups within neighbourhoods where the organisation is a key stakeholder.

### **Operational performance for the year**

Operational performance is monitored robustly by senior staff and the Board throughout the year against a number of key performance indicators which measure business efficiency and customer satisfaction.

A comprehensive and robust face-to-face customer satisfaction survey was conducted in September 2015; overall levels of satisfaction are high and show a marked increase from 2014. 95% of tenants were satisfied with the service overall compared to 79% in 2014 and 98% were satisfied with the quality of their home compared to 86% in 2014.

The year overall has remained a challenging one however results at the financial year-end show an improving performance in most areas. Tenancy turnover has reduced during the year from 7.4% in March 2015 to 6.7% in March 2016. Over the year 555 (2015:590) lets have taken place with the average time to prepare properties to re-let decreasing from 32.5 days at the end of March 2015 to 27.3 days by March 2016. Operational void loss has increased to 0.55% from 0.52%.

The volume of repairs showed a slight increase over the prior year to 19,234. We have improved our emergency repairs average to almost 2.7 hours (2015:10.0 hours) and non-emergency to just over 6.9 days (2015:8 days). Gas servicing achieved the 100% target to have current landlord gas safety certificates at 31 March 2016.

Increasing rent arrears were forecast for 2015/16 but these were well controlled. There has been an increase from 3.67% to 3.89% over the year against a forecast of 5.10%. Discretionary housing payments as well as intensive management of Universal Credit cases have helped to manage the impact in this area. The number of evictions has fallen in the current year from 15 in 2014/15 to 14 in 2015/16.

Improvement in key performance indicators can in part also be attributed to the positive effect of the restructure and refocussing of the housing management teams. Adopting a risk based approach they have increased the amount of face to face contact with existing customers with a view to improving tenancy sustainment coupled with the creation of a dedicated team to manage allocations and lettings in a more dedicated way.

As at 31 March 2016, of our 5,967 (2015:5,840) self-contained properties, we have achieved the Scottish Housing Quality Standard (SHQS) with 147 exemptions (2015:127) and 174 abeyances (2015:267) and 9 failures (2015:61). We have met the full SHQS programme by the formal deadline required by the Scottish Government and will continue to monitor our stock for SHQS requirements.

### **Future developments and initiatives**

Castle Rock Edinvar completed 115 affordable rented properties during the year to 31 March 2016 (2015: 85).

Castle Rock Edinvar will complete a further 154 affordable rented properties by the end of March 2017. Capital expenditure contracted but not provided in the accounts amounted to £3.7m (2015: £4.4m) (Note 22).

Development performance is monitored using a number of indicators covering profitability of schemes, cost control, development pipeline and the management of working capital.

Castle Rock Edinvar has ownership of or is in control of land to ensure continued growth through the development of new stock, subject to the availability of grant funding and new borrowings which will form part of the Places for People Group's overall capital investment strategy.

In 2015/16 Castle Rock Edinvar and Places for People Scotland jointly contributed to developing "1,000 homes for Edinburgh" supported by a HAG recycling initiative. In 2014/15 266 units were completed and a further 794 are planned for future years.

### **Treasury management**

Castle Rock Edinvar's borrowings decreased from £56.7m at March 2015 to £53.5m at March 2016. The ratio of net loans to housing assets was 15% (2015: 15%) which is within the strategy target maximum of 50%. The improvement in the ratio allows the Board to continue to effectively manage risks and deliver successful outcomes.

The Board regularly reviews treasury management. The Group's policy is to retain minimal cash whilst ensuring that sufficient loan facilities are available and immediately accessible to finance a minimum of one year's cash flow. Cash projections cover a 3 year period to continuously monitor future borrowing requirements.

During the year the percentage of loans arranged at fixed interest rates remained stable at 19.2% (2015: 19.0%). The ratio of fixed and variable rates are reviewed daily to ensure that Castle Rock Edinvar borrows at the best rates.

### **Other funding**

With the support this year from the Big Lottery Fund we have been able to continue the Money Matters project providing money and debt advice to both our customers and those of 4 other housing associations in Edinburgh. We have also continued to receive Big Lottery Funding for Outside Matters project in our Fortune Place development to support residents through the provision of a community builder and enhanced activities and outdoor space. (Note 25).

Further funding has been received from the West Lothian Council and People & Scottish Government Communities Fund to upgrade and refurbish the Armadale Shed and provide a community capacity builder to facilitate the set up of the new project.

### **Employment**

During the year ended 31 March 2016 the average number of people employed, expressed as full time equivalents, was 171 (2015: 169). At 31 March 2016 the actual number of people employed was 195 (2015: 191). Employee information is stated in Note 6 to these accounts.

Castle Rock Edinvar is keen to support the development of new talent within our organisation and provide opportunities for people, particularly young people, who are currently not in employment or training. With the support of SCVO we have been able to provide Community Jobs Funded work placements for 3 young people in 2015/16. We have received £12,500 grants during the year (2015: 6 young people, £15,577 grants).

There have been 4 promotions during the year. 19 staff completed professional qualifications. Through the staff recognition scheme, 'Star Awards', 18 individual staff and 31 staff as part of a team were nominated for awards in the year.

The Board considers that employee involvement is essential to its continuing success and uses a variety of methods to inform, consult and involve its employees. In addition, the Group has a comprehensive learning and development policy and holds the Investors in People Gold accreditation.

For the twelve months to 31 March 2016, absenteeism was 5.06% (2015: 3.24%) and staff turnover 13.8% (2015: 13.10%). There has been an increase in long term sickness in the year.

### **Employee engagement**

Our Have Your Say staff survey was conducted in October 2015. The staff engagement indicator was an excellent 87% (2014: 77%) The Staff Forum continues to play an active role and has organised a number of social and fundraising events raising over £500 for charity during the year.



### **Equality and diversity**

The Board is committed to achieving equality through diversity and its policies and strategies recognise that all people have the right to their own distinctive and diverse identity. The Board recognises that it has the power to reduce the disadvantages that people experience by making services more responsive to all communities and individual needs. The Board also recognises its responsibility to meet these diverse needs by having a diverse workforce, which generally reflects local populations and has the skills and understanding to achieve the service objectives.

### **Pension funds**

The Association contributed to one Defined Benefit and two Defined Contribution schemes during the year. The Scottish Housing Associations' Pension Scheme - defined benefit section (the Scheme) is closed to new accrual. All new employees joining the Association now have the option of joining the Scottish Housing Associations' Pension Scheme - defined contribution section (the DC Scheme), to which the Association contributes. Auto enrolment staff will also join this DC Scheme. The Places for People Group Stakeholder defined contribution Scheme was closed from 1 April 2014 to new entrants.

The Board will continue to review the Pension Strategy in 2016/17. More details of the Association's Pension Obligations are included in Note 23.

### **Health and safety**

The Board takes very seriously its responsibilities on all matters relating to health and safety. There is a standing working group chaired by the Managing Director that meets to ensure all aspects of health and safety are covered. Health and Safety performance is audited by Group Health and Safety staff as well as a local health and safety technical working group to improve organisational culture and attitudes to working practices. A behavioural programme has been introduced for all maintenance staff to develop an improved Health and Safety culture. During the year the Group has continued to update its health and safety policies and provide staff training and education on health and safety matters and retains the British Safety Council five star ratings and the Royal Society for the Prevention of Accidents Gold Award.

During 2015/16 there were 3 (2015: 3) reportable RIDDOR accidents.

### **The Environment and Corporate Social Responsibility**

The Board recognises the need to develop its business in a sustainable manner. The business is developed to meet the needs of the present without compromising the ability of future generations to meet their own needs. We recognise that there are physical limits to the resources of the Earth (both in terms of generating materials and absorbing waste), and that any business activity that exceeds these limits is, by definition, unsustainable in the long term. In addition to making effective use of natural resources and enhancing the environment, we also believe that to achieve short and long term sustainability we need to promote social cohesion and inclusion and strengthen economic prosperity in the communities in which we work. Places for People has been accredited with ISO 14001 and has been awarded the highest platinum status in Business in the Community's (BITC) Corporate Responsibility Index (CRI).

### **Going Concern**

After making appropriate enquiries, the Board confirms that it has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. Accordingly it continues to adopt the going concern basis in preparing the Association's financial statements.

## The Board

Responsibility for Castle Rock Edinvar's activities rest with the Board as detailed in the Governance Handbook. The Places for People Group, including Castle Rock Edinvar, has adopted a code of conduct based on the UK Corporate Governance Code.

Details of the Board members can be found listed on page 2 of these financial statements. The normal term of office is an initial six years. Extensions may be granted to Board members terms if approved by the Places for People Group Nominations and Governance Committee. The Board has a range of skills and experience which meet the UK Corporate Governance code requirements. The required disclosures are included in the consolidated financial statements which are available from the registered office address. In addition all directors have access to the Company Secretary for advice.

The Board has adopted guidelines for the appointment of directors which are in place and which have been observed throughout the year. The letters of appointment of all directors are available for inspection at the Association's registered office during normal business hours. All potential conflicts of interest including those of executive directors are recorded and minuted at each meeting and held in a register.

The Board is well equipped to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct that are vital to the success of the Association. Induction is provided for new members joining the Board and regular updates are provided to refresh their skills and knowledge. Board members have a duty to exercise reasonable care, skill and diligence; a duty to promote the success of the Association; a duty to act within their powers; a duty to exercise independent judgment; a duty to avoid conflicts of interest; a duty not to accept benefits from third parties and a duty to declare any interest in a proposed transaction or arrangement.

The Managing Director provided a Governance Effectiveness review and assessment of adherence to the Board's adopted code of conduct for 2015/16 for the Places for People Group Nominations and Governance Committee. The Chair undertakes assessments of individual board members annually.

The Nominations & Governance Committee assesses the skills and experience needed on the Castle Rock Edinvar Board and if so requested by them, on the Boards of its subsidiaries. It takes an overview on Board member selection and succession planning and makes recommendations to the Castle Rock Edinvar Board in relation to suitable candidates for appointment. The Committee reviews the governance structure and advises the Castle Rock Edinvar Board on key governance issues.

The Board has agreed that there should be a reporting framework which would include six formal Board meetings and at least one development meeting each year. The Board Members' attendance at Board and Committee meetings, in relation to the number of meetings held, during the year ended 31 March 2016 is set out below.

Board Members		Board Meetings	Audit & Risk Committee	Governance & Nominations	AGM
Cathy Garner	Chair - CRE	6/7	4/5	2/2	1/1
Anna Evans	Chair - PfPS Ltd	6/7			1/1
Elaine Haddow	Chair - PfPS C&S	7/7		2/2	1/1
Julie Jackson		6/7			1/1
Stephen Oswald		7/7			1/1
Neil Pirie (PfPS Ltd)	Co-opted PfPS Ltd		5/5		
Liz Ritchie		4/7			0/1
David Robertson	Chair A&RC	6/7	6/6	1/2	1/1
Simran Soin		6/7			0/1
Alister Steele	(appointed 01.01.15)	7/7			1/1
Ian Stevenson (PfPS C&S)	Co-opted PfPS C&S Ltd		4/6		
Graham Waddell		5/7	5/6		0/1
William Wood	Senior Independent Director	6/7		2/2	1/1

### **Internal control and Risk Management**

The Board has delegated responsibility for reviewing internal control and assurance systems to the Audit & Risk Committee. The Committee conducts a review of the effectiveness of the Association's risk management and internal control systems through regular reports and by an annual review prior to consideration of the financial statements. The Committee reports to the Board on its level of satisfaction with the system of controls annually. The Board secures assurance as to the effectiveness of the system of internal control and risk management by those means.

The Audit & Risk Committee has reviewed the effectiveness of the system of internal control for the year ended 31 March 2016 and up to the date of signing these financial statements. It has not identified any weaknesses which resulted in material losses or contingencies or other uncertainties which require disclosure in the financial statements.

The Board and Senior Management have developed a Risk Map in accordance with Group procedures to evaluate each of these risks and to outline mitigation strategies.

### **The view of the External Auditor, KPMG LLP**

This position in relation to controls which are within the scope of the auditor's terms of engagement is confirmed at the conclusion of each audit. Any issues arising from interim audit work are also reported to the Audit & Risk Committee.

### **Group Accounts**

Castle Rock Edinvar Housing Association is exempt from the requirement to prepare and deliver group accounts as it is itself a wholly owned subsidiary of Places for People Group Limited. As such these financial statements present information about Castle Rock Edinvar Housing Association as an individual undertaking and not about it as a group.

### **Statement of Board to the Auditors**

At the time of approval of this report:

- So far as the Board is aware, there is no relevant audit information of which the Associations' Auditor is unaware, and
- The Board has taken all steps that they ought to have taken as a Board in order to make themselves aware of any relevant audit information and to establish that the Association's Auditor is aware of that information.

### **Statement of Internal Financial Control**

The Board acknowledges its ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate for the business environment in which it operates. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used within the Association, or for publication;
- the maintenance of proper accounting records; and
- the safeguarding of assets against unauthorised use or disposition.

It is the Board's responsibility to establish and maintain the systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements of the Association's systems include ensuring that:

- formal policies and procedures are in place, including the ongoing documentation of key system and rules in relation to the delegation of authority, which allow the monitoring of controls and restrict unauthorised use of the Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards and performance;
- forecasts and budgets are prepared which allow the management team and the Board to monitor key business risks, financial objectives and progress being made towards achieving the financial plans set for the year and for the medium term;

### Statement of Internal Financial Control (continued)

- quarterly financial management reports are prepared promptly, providing relevant, reliable and up-to-date financial and other information, with significant variances from budget being investigated as appropriate;
- regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Board;
- the Board received reports from management and from external and internal auditors, to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Association is undertaken; and
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

The Board has reviewed the effectiveness of the internal financial controls in existence in the Association for the year ended 31 March 2016. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

### Statement of Board's responsibilities in respect of the Board's report and the financial statements

The Board is responsible for preparing the Board's Report and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The financial statements are required by law to give a true and fair view of the state of affairs of the Association and of the income and expenditure for that period.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014 and Determination of Accounting Requirements issued in terms of section 68(1) of the Housing (Scotland) Act 2014. The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the Association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



**By order of the Board**  
**Chris Martin**  
**Company Secretary**

### Independent auditor's report to Castle Rock Edinvar Housing Association

We have audited the financial statements of Castle Rock Edinvar Housing Association ("the Association") for the year ended 31 March 2016 set out on pages 13 to 33. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the Association, with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 68(1) of the Housing (Scotland) Act 2014. Our audit work has been undertaken so that we might state to the Association those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the Board and auditor

As more fully explained in the Statement of Board's Responsibilities set out on page 11, the Association's Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the Association as at 31 March 2016 and of its income and expenditure for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements 2014.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- the Association has not kept proper books of account; or
- the Association has not maintained a satisfactory system of control over transactions; or
- the financial statements are not in agreement with the Association's books of account; or
- we have not received all the information and explanations we need for our audit.

Under the Scottish Housing Regulator Regulatory Advice Note: *Internal Financial Controls and the Regulatory Standards* we are required to report to you if, in our opinion the Statement of Internal Financial Control on page 10:

- does not provide the disclosure required by the relevant Regulatory Standards (for systematically important RSLs) within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls; or
- is materially inconsistent with the knowledge acquired by us in the course of performing our audit.



**Chris Wilson for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants  
Arlington Business Park  
Theale  
Reading  
RG7 4SD

30 August 2016

	Notes	<b>2016</b> <b>£'000</b>	2015 £'000
Turnover	2	<b>32,168</b>	30,254
Operating costs	2	<b>(19,934)</b>	(20,116)
Operating surplus	2	<u><b>12,234</b></u>	<u>10,138</u>
Surplus on sale of fixed assets	5	<b>966</b>	992
Gain on revaluation of investment properties	14	<b>21</b>	21
Interest receivable and similar income	7	<b>106</b>	5
Interest payable and similar charges	8	<b>(1,198)</b>	(1,251)
Gift aid received	9	<b>1,000</b>	1,000
Net surplus for the year		<u><u><b>13,129</b></u></u>	<u><u>10,905</u></u>

All activities are continuing.

The notes on pages 17 to 33 form an integral part of these financial statements.

Castle Rock Edinvar Housing Association  
Statement of Financial Position  
As at 31 March 2016



	Notes	2016 £'000	2015 £'000
<b>Fixed assets</b>			
Housing properties - depreciated cost	12	<u>353,633</u>	<u>337,674</u>
<b>Other fixed assets</b>	13	<u>2,610</u>	<u>2,430</u>
<b>Fixed asset investments</b>			
Fixed asset investment	14	2,035	2,014
Homebuy fixed asset investment	15	159	183
Other fixed asset investment	16	<u>1,010</u>	<u>1,010</u>
		<u>3,204</u>	<u>3,207</u>
<b>Total fixed assets</b>		<u>359,447</u>	<u>343,311</u>
<b>Current assets</b>			
Stock	17	4,053	112
Debtors: amounts due within one year	18	3,647	3,867
Cash at bank and in hand		<u>310</u>	<u>-</u>
		<u>8,010</u>	<u>3,979</u>
<b>Creditors - amounts due within one year</b>	19	<u>(14,137)</u>	<u>(14,290)</u>
<b>Net current liabilities</b>		<u>(6,127)</u>	<u>(10,311)</u>
<b>Total assets less current liabilities</b>		<u>353,320</u>	<u>333,000</u>
<b>Creditors - amounts falling due after more than one year</b>	20	<u>273,503</u>	<u>266,312</u>
<b>Capital and Reserves</b>			
Non-equity share capital	21	-	-
Revenue reserve		<u>79,817</u>	<u>66,688</u>
<b>Total capital and reserves</b>		<u>79,817</u>	<u>66,688</u>
		<u>353,320</u>	<u>333,000</u>

The financial statements on pages 13 to 33 were approved by the Board on the 23 August 2016 and were signed on its behalf by:

Dr. Cathy Garner  
Chair

David Robertson  
Board Member

Chris Martin  
Secretary

	Notes	Retained Earnings £'000	Equity and Reserves £'000
<b>Balance at 1 April 2015 as previously reported</b>		<b>71,042</b>	<b>71,042</b>
Transition adjustments	28	<b>(4,354)</b>	<b>(4,354)</b>
<b>Restated balance at 1 April 2015</b>		<b>66,688</b>	<b>66,688</b>
<b>Total Comprehensive income for the year</b>			
Net surplus for the year		<b>13,129</b>	<b>13,129</b>
<b>Balance at 31 March 2016</b>		<b>79,817</b>	<b>79,817</b>



Castle Rock Edinvar Housing Association  
Cash Flow Statement  
For the year ending 31 March 2016



	Note	2016 £'000	2015 £'000
<b>Net cash inflow from operating activities</b>		<b>9,914</b>	10,090
<b>Cashflow from investing activities</b>			
Additions to housing properties	12	(21,025)	(20,652)
Interest and Dividends Received	7	106	5
Capital grants received		14,297	8,184
Payments to acquire other fixed assets	13	(186)	(114)
Payments to acquire Homebuy fixed assets	15	(5)	(17)
Payments to acquire other fixed asset investments	16	-	(1,010)
Proceeds of sales of other fixed assets	5	997	261
		<b>(5,816)</b>	(13,343)
<b>Cashflow from financing activities</b>			
Interest paid	8	(1,033)	(972)
Loan advances received		<b>(2,653)</b>	3,917
<b>Net cash (outflow)/ inflow from financing</b>		<b>(3,686)</b>	2,945
<b>Increase/ (Decrease) in cash</b>		<b>412</b>	<b>(308)</b>

*Reconciliation of Cashflow from operating activities*

Operating surplus on ordinary activities		<b>13,129</b>	10,905
Depreciation and impairment		<b>5,005</b>	4,289
(Increase) in stock and work in progress		<b>(3,941)</b>	(7)
Gain on revaluation		<b>(21)</b>	(1)
Decrease/ (Increase) in debtors		<b>220</b>	(352)
(Decrease) in creditors		<b>(53)</b>	(1,204)
(Gain) on sales of fixed assets		<b>(966)</b>	(992)
Grant Amortisation		<b>(2,838)</b>	(2,499)
SHAPS Pension movement		<b>(621)</b>	(49)
<b>Net cash inflow from operating activities</b>		<b>9,914</b>	<b>10,090</b>

## **1. PRINCIPAL ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 (FRS 102), with the Companies Act 2006, and the requirements of the Co-operative and Community Benefit Societies Act 2014 Determination of Accounting Requirements 2012 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

### **FRS 102 - First time adoption and restatement**

FRS 102 allows certain first-time adoption exemptions from the full requirements of FRS 102 in the transition period. The following exemptions have been taken in these financial statements:

*Fair value as deemed cost* – The fair value revaluation at transition date has been used as deemed cost for office property.

These are the Association's first financial statements prepared in accordance with FRS 102. Certain figures have been restated in accordance with FRS 102 requirements. An explanation for how the transaction has affected the financial position and financial performance of the Company is provided in Note 28.

The Association is a public benefit entity.

The financial statements are presented in Sterling (£).

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

### **Basis of accounting**

The financial statements have been prepared under the historical cost convention and comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2012.

The Association's ultimate parent undertaking includes the Association in its consolidated Financial Statements. Those consolidated Financial Statements are prepared in accordance with FRS 102 and are available to the public and maybe obtained from Places for People Group Limited, 80 Cheapside, London, EC2V 6EE.

As the consolidated financial statements of the ultimate parent undertaking, Places for People Group Limited, include the equivalent disclosures, the Association has also taken the exemptions under FRS 102 available in respect of financial instruments and has not provided disclosures otherwise required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

### **Turnover**

The turnover represents mainly rents, service charges and revenue grants receivable from the Scottish Government or Local Authorities and some fees from managing agency services.

### **Tenant Arrears, Trade and other debtors**

Tenant Arrears, Trade and other debtors are recognised initially at transaction price less attributable transaction costs.

### **Trade and other creditors**

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs.

### **Interest-bearing borrowings**

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs.

## 1. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

### VAT

The majority of the Association's turnover from letting activities is exempt from VAT. Where appropriate, costs are stated including irrecoverable VAT.

### Pensions

The Association contributes to the Social Housing Association Pension Scheme (SHAPS) a funded multi employer defined benefit scheme. The scheme Actuary has advised that it has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employees. The charge to income and expenditure is disclosed in Note 23. Contributions payable under the terms of a funding agreement for past deficits are recognised as a liability in the Statement of Financial Position at the present value of the expected future cash flows for which there is contractual obligations. The Association has complied with relevant disclosures which are included in Note 23.

The Association also contributes to two defined contribution schemes. These schemes' assets are held separately from those of the Association in an independently administered fund. The amount charged against profits represents the contributions payable to the schemes in respect of the accounting period.

### Housing Association Grant (HAG) and other capital grants

When HAG in respect of housing properties in the course of construction exceeds the total cost to date of those housing properties, the excess is shown as a current liability.

Where HAG or other grant is retained following the disposal of property, it is shown under the disposal proceeds and recycled capital grant funds in creditors. These funds will be used for the provision and improvement of new social housing for rent and sale.

HAG is initially recognised at fair value as a long term liability as deferred grant income and released through the profit and loss as turnover income over the life of the component elements of housing properties in accordance with the accrual method applicable to registered providers of social housing accounting for housing properties at cost, except for grant received in respect of Homebuy investments, included in Note 19 with Deferred Government Grant.

### Concessionary loans

The Association has a Homebuy arrangement which is considered to be a concessionary loan.

Under the HomeBuy scheme, the Association receives Homebuy grant representing a percentage of the open market purchase price of a property in order to advance interest free loans to a homebuyer. The loans advanced by the Association meet the definition of concessionary loans and are shown as fixed assets investments on the balance sheet. All are non-current loans, as they are not redeemable on demand.

### Deferred government grant

HAG received from The Scottish Government is initially stated at fair value as a long term liability and is amortised as income over the life of the component elements of properties.

### Capitalisation of interest and development overheads

Interest is capitalised on loans financing schemes in development up to their completion. This is calculated by reference to the Association's cost of borrowing and the development costs.

Administration costs relating to development activities are capitalised based on an apportionment of the staff time directly spent on this activity.

### Investment Property

Private sector rented properties are shown in investment properties and were valued externally at the date of transition to FRS 102 (1 April 2014) by a qualified RICS chartered surveyor. Valuations are re-assessed on an annual basis.

Commercial properties are shown in investment properties and valuations are completed by a qualified RICS chartered surveyor using detailed rental income stream and yield information.

Investment properties are held at fair value with changes in fair value recognised in profit and loss.

## 1. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

### Capitalisation of fixed assets

The Association capitalises expenditure to existing properties which it is considered will materially enhance the economic life of the asset, its income generating capacity or will result in a material reduction in annual operating costs. Components such as kitchens, windows, doors and bathroom replacement programme are capitalised and depreciated over their expected useful lives.

### Scottish Government shared equity scheme

The Association has sold properties under the Scottish Government shared equity schemes. Under these schemes buyers purchase a majority share of the property with the balance funded by Scottish Government grants. The fixed asset investment represents the total of the loans receivable from purchasers of the property when the equity is released. There is an equal and opposite liability to the Scottish Government amounting to any shared equity release.

### Cost of raising finance

The cost of raising finance is amortised over the period of the instrument. The deferred cost is offset against the liability and is included within "Creditors: amounts falling due after one year" (Note 20).

### Depreciation

Fixed assets other than freehold land are depreciated in accordance with FRS102 at rates calculated to reduce the net book value of each component element to its estimated residual value, on a straight line basis, over the expected remaining useful life of the component. Freehold land is not depreciated. The estimated life of assets and components is as shown in the table below.

<u>Housing assets</u>	<u>Depreciation period in years</u>
Kitchens	20
Bathrooms	20
Boilers	15
External Windows & Doors	30
Roofs	45
Fire Safety Systems	20
Fencing	30
Digital TV Aerials	10
Lifts	10
Aids and adaptations	10
Initial and replacement scheme assets	10
Other Elements (new build)	100
Other Elements (rehab)	80
Other Elements (leasehold)	Lesser of Term of Lease or 100 years
<u>Other Fixed Assets</u>	
Offices (new build)	100
Offices (rehab)	10
Office refurbishment	10
Offices (long leasehold)	Lesser of Term of Lease or 100 years
Offices (short leasehold)	10
Equipment	5
Computer hardware, software and infrastructure	5

**1. PRINCIPAL ACCOUNTING POLICIES (CONT'D)**

**Impairment**

For fixed assets with a remaining useful life greater than 100 years an impairment review is carried out on an annual basis in accordance with FRS 102. For all other assets an impairment review is undertaken when there is an indication the asset may be impaired. If assets are found to be impaired, the amount of impairment is disclosed in Note 3 analysis to the income and expenditure.

**Operating leases**

Costs in respect of operating leases are charged on a straight line basis over the lease term.

**Group Accounts**

Castle Rock Edinvar Housing Association is exempt from the requirement to prepare and deliver group accounts as it is itself a wholly owned subsidiary of Places for People Group Limited. As such these financial statements present information about Castle Rock Edinvar Housing Association as an individual undertaking and not about its group.

**Stock and work in progress**

Stock and work in progress principally comprises the costs to the balance sheet date of properties being developed for sale either as outright sale or shared ownership properties.

**Service charge sinking funds**

The Association is required to set aside sums in respect of future maintenance of certain factored properties. Amounts accumulated in the fund are included within "Cash at bank and in hand" and within "Creditors: falling due within one year" (Note 19).

## 2. PARTICULARS OF TURNOVER, OPERATING COSTS, AND OPERATING SURPLUS

	Turnover	2016 Operating costs	Operating surplus	2015 Operating surplus
	£'000	£'000	£'000	£'000
Social lettings	30,096	(18,805)	11,291	9,501
Other activities	2,072	(1,129)	943	637
<b>Total</b>	<b>32,168</b>	<b>(19,934)</b>	<b>12,234</b>	<b>10,138</b>

## 3. PARTICULARS OF TURNOVER, OPERATING COSTS, AND OPERATING SURPLUS FROM SOCIAL LETTINGS ACTIVITIES

	2016			2015	
	General needs housing	Supported housing and housing for older people	Low cost home ownership	Total	Total
	£'000	£'000	£'000	£'000	£'000
<b>Income from lettings activities</b>					
Rent receivable net of service charges	22,269	2,885	602	25,756	24,931
Service charges receivable	460	578	-	1,038	922
<b>Gross Rents Receivable</b>	<b>22,729</b>	<b>3,463</b>	<b>602</b>	<b>26,794</b>	<b>25,853</b>
Less: Voids	(186)	(26)	(1)	(213)	(196)
	<b>22,543</b>	<b>3,437</b>	<b>601</b>	<b>26,581</b>	<b>25,657</b>
Revenue grants from local authorities and other agencies	232	-	-	232	285
Grant Amortisation	2,522	213	103	2,838	2,499
Other income	445	-	-	445	118
	<b>25,742</b>	<b>3,650</b>	<b>704</b>	<b>30,096</b>	<b>28,559</b>
<b>Expenditure on letting activities</b>					
Management	(4,473)	(24)	-	(4,497)	(5,311)
Services	(1,131)	(865)	(4)	(2,000)	(1,935)
Routine maintenance	(2,258)	(265)	(2)	(2,525)	(3,570)
Planned maintenance	(3,487)	(337)	(7)	(3,831)	(2,473)
Major repairs expenditure	(579)	(237)	-	(816)	(1,309)
Rent losses from bad debts	(160)	(4)	-	(164)	(152)
Depreciation on housing assets	(4,345)	(465)	(132)	(4,942)	(4,298)
Other Costs	(31)	-	-	(31)	(18)
	<b>(16,464)</b>	<b>(2,197)</b>	<b>(145)</b>	<b>(18,805)</b>	<b>(19,066)</b>
<b>Operating surplus on letting activities</b>	<b>9,278</b>	<b>1,453</b>	<b>559</b>	<b>11,291</b>	<b>9,493</b>
Total for the year ended 31 March 2015	8,849	(2,076)	2,728	9,501	

**4. PARTICULARS OF TURNOVER, OPERATING COSTS, AND OPERATING SURPLUS FROM OTHER ACTIVITIES**

	Grants from Scottish Ministers £'000	Other revenue grants £'000	Supporting people income £'000	Other income £'000	Total turnover £'000	Other operating costs £'000	Operating surplus year ended 31 March 2016 £'000	Operating surplus year ended 31 March 2015 £'000
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	-	229	-	-	229	(243)	(14)	(116)
Support activities	-	-	116	-	116	(123)	(7)	(5)
Developments and improvements for sale to non registered social landlords	-	-	-	47	47	(53)	(6)	47
Commercial property income	-	-	-	1,192	1,192	(271)	921	453
VAT recovery	-	-	-	242	242	-	242	103
Other	-	-	-	246	246	(439)	(193)	155
<b>Total from other activities</b>	-	<b>229</b>	<b>116</b>	<b>1,727</b>	<b>2,072</b>	<b>(1,129)</b>	<b>943</b>	<b>637</b>
Total from other activities for the year ended 31 March 2015	-	157	110	1,428	1,695	(1,010)	685	

## 5. SALE OF FIXED ASSETS AND REDUCTION OF GRANT LIABILITY

	2016 £'000	2015 £'000
Sales proceeds	997	261
Cost of sales	(905)	(113)
Operating costs	(14)	(65)
Gain on sale of fixed asset	<u>78</u>	<u>83</u>
Reduction of grant liability	1,478	2,005
Recycled grant	(590)	(1,096)
Non cash reduction in grant liability	<u>888</u>	<u>909</u>
Surplus on sale of other assets and reduction in grant liability	<u><u>966</u></u>	<u><u>992</u></u>

## 6. DIRECTORS AND OFFICERS' EMOLUMENTS

The Association is controlled by a Board, 4 Non Executive members of which received remuneration during the year to 31 March 2016. The non-executives' emoluments during the year were met by Places for People Group Limited.

The Chief Executive is a director and is remunerated by the Association and detailed with the other officers below. The number of Non Executive Board members whose emoluments fall in the following ranges were as follows;

	2016 No.	2015 No.
£0 - £5,000	-	3
£5,001 - £10,000	<u>4</u>	<u>1</u>

	2016 £'000	2015 £'000
The aggregate of emoluments payable to Officers.	<u>366</u>	<u>380</u>
Aggregate emoluments payable to the Chief Executive (exc. pension)	<u>94</u>	<u>82</u>
Pension contributions payable to Officers	<u>69</u>	<u>68</u>

The emoluments of the Officers (exc. pension) were as follows;

	2016 No.	2015 No.
Less than £60,000	1	1
£60,000 to £70,000	1	2
£70,000 to £80,000	2	2
£90,000 to £100,000	<u>1</u>	<u>-</u>

The average number of full-time equivalents employed during the year was:-

Housing	52	51
Property Services and Direct Trades	65	65
Sheltered Housing	23	23
Wider role and Commercial activities	5	6
Estate Management	<u>6</u>	<u>4</u>
<b>Total Managing Housing Services</b>	<b>151</b>	<b>149</b>
Central Administration Services	<u>20</u>	<u>20</u>
<b>Total average FTE employees</b>	<b><u><u>171</u></u></b>	<b><u><u>169</u></u></b>

Average number of employees is calculated by ascertaining for each calendar month in the financial year, the number of persons, by category, employed by the company. The monthly numbers are then added together and divided by the number of months in the financial year.



**6. DIRECTORS AND OFFICERS' EMOLUMENTS (CONT'D)**

Staff costs (for the above persons);

	2016	2015
	£'000	£'000
Wages and salaries	4,763	4,424
Severance costs	5	75
Social security costs	420	362
Other pension costs	425	412
	<b>5,613</b>	<b>5,273</b>

**7. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2016	2015
	£'000	£'000
Interest receivable on cash deposits	1	5
Dividends receivable - Ferneylea Windfarm	105	-
	<b>106</b>	<b>5</b>

**8. INTEREST PAYABLE AND SIMILAR CHARGES**

	2016	2015
	£'000	£'000
On loans from related undertakings	239	137
On bank loans and overdrafts	794	835
	<b>1,033</b>	972
Capitalised interest	(49)	(40)
Unwinding of SHAPS pension liability discount	214	319
	<b>1,198</b>	1,251
Capitalisation rate used to determine the finance costs capitalised during the year:	<b>1.68%</b>	2.16%

**9. GIFT AID**

	2016	2015
	£'000	£'000
Gift Aid was received from Places for People Scotland Ltd	<b>1,000</b>	1,000

## 10. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

Surplus on ordinary activities before taxation was arrived at after charging:

	2016	2015
	£'000	£'000
Auditor remuneration in their capacity as auditors	11	11
Payments under operating leases on motor vehicles	151	173
Depreciation of Housing fixed assets	4,939	4,662
Depreciation of Other fixed assets	60	75
	<b>60</b>	<b>75</b>

## 11. TAXATION

There was no charge for corporation tax in 2016 or in 2015. The Association has charitable status and is exempt from corporation taxation under the provisions of Section 505 of the Income and Corporation Taxes Act 1988.

## 12. HOUSING PROPERTIES

	Completed LSE & Shared Ownership properties £'000	Completed LSE & Shared Ownership properties £'000	Housing properties in the course of construction £'000	LSE & Shared Ownership properties in the course of construction £'000	Total housing properties £'000
<b>Cost</b>					
As at 1st April 2015	359,982	14,356	9,655	-	383,993
Additions	-	-	21,002	23	21,025
Change of tenure /use	(15)	-	754	-	739
Schemes completed in year	19,391	23	(19,391)	(23)	-
Disposals	(892)	(61)	-	-	(953)
<b>At 31 March 2016</b>	<b>378,466</b>	<b>14,318</b>	<b>12,020</b>	<b>-</b>	<b>404,804</b>
<b>Depreciation &amp; Impairment</b>					
At 1 April 2015	(44,953)	(1,365)	-	-	(46,318)
Depreciation charges during year	(4,809)	(130)	-	-	(4,939)
Depreciation change of tenure	-	-	-	-	-
Depreciation eliminated on disposal	77	9	-	-	86
<b>At 31 March 2016</b>	<b>(49,685)</b>	<b>(1,486)</b>	<b>-</b>	<b>-</b>	<b>(51,171)</b>
<b>Net Book Value at 31 March 2016</b>	<b>328,781</b>	<b>12,832</b>	<b>12,020</b>	<b>-</b>	<b>353,633</b>
Net Book Value at 1 April 2015	315,028	12,991	9,655	-	337,674

Included in the additions of £21.025m and transferred to completed schemes of £19.392m is £4.457m (2015: £5.098m) in respect of capitalised major repairs. In addition the cost of planned, cyclical and major repairs charged to revenue in the year amounted to £3.416m (2015: £3.602m).

**13. OTHER FIXED ASSETS**

	Plant & Special Equipment £'000	Computer Equipment £'000	Freehold Commercial Properties £'000	Fixtures & Fittings £'000	Total £'000
<b>Cost</b>					
At 1 April 2015	3	48	2,425	217	2,693
Additions	-	-	186	-	186
Change in Tenure	-	-	60	-	60
<b>At 31 March 2016</b>	<b>3</b>	<b>48</b>	<b>2,671</b>	<b>217</b>	<b>2,939</b>
<b>Depreciation</b>					
At 1 April 2015	-	(42)	(53)	(168)	(263)
Charged during year	(1)	(3)	(47)	(15)	(66)
<b>At 31 March 2016</b>	<b>(1)</b>	<b>(45)</b>	<b>(100)</b>	<b>(183)</b>	<b>(329)</b>
<b>Net book value at 31 March 2016</b>	<b>2</b>	<b>3</b>	<b>2,571</b>	<b>34</b>	<b>2,610</b>
Net book value at 31 March 2015	3	6	2,372	49	2,430

**14. FIXED ASSET INVESTMENTS**

	Completed Properties £'000	Total £'000
As at 1 April 2015	2,014	2,014
Revaluation	21	21
<b>As at 31 March 2016</b>	<b>2,035</b>	<b>2,035</b>

**15. HOMEBUY FIXED ASSET INVESTMENTS**

	2016 £'000	2015 £'000
At 1 April	183	194
Additions in year	5	17
Net appreciation in year	-	14
Disposals in year	(29)	(42)
<b>At 31 March</b>	<b>159</b>	<b>183</b>

**16. OTHER FIXED ASSET INVESTMENTS**

	2016 £'000	2015 £'000
<b>Cost</b>		
At 1 April	1,010	-
Additions in year	-	1,010
At 31 March	<b>1,010</b>	<b>1,010</b>
Repayable grant	10	10
Other shares	<b>1,000</b>	1,000
	<b>1,010</b>	<b>1,010</b>

The fixed asset investments are as follows:-

Investments in Ferneylea Windfarm £40 Equity and £1,000,000 Preference Shares.

Repayable grant £10,000 Vital Spark Incubation Ltd.

Castle Rock Edinvar Housing Association holds a fixed asset investment in Places for People Scotland Limited, being 100% of its ordinary share capital held at a cost of £1.

**17. STOCK AND WORK IN PROGRESS**

	2016	2015
	£'000	£'000
Completed properties	3,980	-
Stock Other	73	112
	<u>4,053</u>	<u>112</u>

**18. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2016	2015
	£'000	£'000
Amounts falling due within one year:		
Rental debtors	1,153	1,032
Less: provision for bad and doubtful debts	<u>(328)</u>	<u>(307)</u>
	825	725
Other trade debtors	1,141	921
Other taxes	71	-
Sundry debtors, prepayments and accrued income	52	100
Capital development debtor	1,373	1,463
Amounts due from related undertakings	182	656
Loans to employees	<u>3</u>	<u>2</u>
	<u>3,647</u>	<u>3,867</u>

**19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2016	2015
	£'000	£'000
Housing loans principal payable within one year	2,541	2,394
Finance leases	28	28
Interest on housing loans	59	60
Trade creditors	826	1,368
Other taxes	-	30
Other creditors and accruals	2,397	2,948
Capital development creditor	4,056	3,523
Deferred Government Grant	2,926	2,499
Liability in respect of SHAPS pension scheme (Note 23)	796	772
Prepaid rent	508	566
Bank Overdraft	<u>-</u>	<u>102</u>
	<u>14,137</u>	<u>14,290</u>

**20. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>2016</b>	2015
	<b>£'000</b>	£'000
<b>Debt</b>		
Housing loans	<b>46,254</b>	49,068
Loans from related undertakings	<b>7,200</b>	7,600
Recycling Capital Grant Funds	<b>2,824</b>	2,234
Cost of raising finance	<b>(238)</b>	(252)
	<b>56,040</b>	58,650
Less : payable within one year	<b>(2,569)</b>	(2,422)
Deferred Government Grant	<b>211,433</b>	200,864
Liability in respect of SHAPS pension scheme (Note 23)	<b>8,599</b>	9,220
<b>Total creditors: amounts falling due after more than one year</b>	<b>273,503</b>	266,312

**Debt analysis**

Debt is repayable as follows:

In one year or less	2,569	2,422
In more than one year but less than two years	2,367	4,705
In more than two years but less than five years	14,132	14,543
In more than five years :		
By instalments	31,472	31,480
Not by instalments	5,500	5,500
	<b>56,040</b>	<b>58,650</b>

The loans are secured by specific charges over properties, and are repayable at varying rates of interest.

**21. NON EQUITY SHARE CAPITAL**

	<b>2016</b>	2015
	<b>No</b>	No
Issued, allotted and unpaid "A" shares of £1 each		
At 1 April	<b>9</b>	9
Issued during the year	<b>1</b>	1
Cancelled during the year	<b>(1)</b>	(1)
<b>At 31 March</b>	<b>9</b>	<b>9</b>
Issued, allotted and fully paid "B" shares of £1 each		
At 1 April	<b>168</b>	171
Cancelled during the year	<b>(1)</b>	(9)
Issued during the year	<b>1</b>	6
<b>At 31 March</b>	<b>168</b>	<b>168</b>

The shares are not transferable or redeemable. Payment of dividends or other benefits to shareholders is forbidden by the Association's rules and by the Cooperative and Community Benefit Societies Act 2014. On a return of capital on a winding-up, no member shall receive any property or sum beyond their £1 entitlement.

## 22. CAPITAL AND FINANCIAL COMMITMENTS

	2016 £'000	2015 £'000
<b>Capital Commitments</b>		
Contracts placed for future capital expenditure not provided in the financial statements.	<u>3,664</u>	<u>4,411</u>
Additional Capital expenditure that has been authorised by the Board of directors	<u>34,932</u>	<u>20,961</u>
Grant funding is in place for all social housing projects where contracts have been placed for future capital expenditure.		
<b>Financial Commitments</b>		
The commitments under non-cancellable operating leases for the following year, analysed according to the period in which each lease expires are set out below.		
<b>Motor Vehicles</b>		
In one year or less	33	75
Between two and five years	<u>2</u>	<u>35</u>
	<u>35</u>	<u>110</u>

## 23. PENSION OBLIGATIONS

The Association contributed to one Defined Benefit and two Defined Contribution schemes during the year. The pension costs for the Association relate to the following schemes:

### **The Scottish Housing Associations' Pension Scheme (SHAPS) - defined benefit section ("the Scheme")**

The Association participates in the Scheme which is a multi-employer defined benefit scheme. The Scheme is a defined benefit scheme in the UK.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to an individual participating employer as the Scheme is a Multi-Employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total Scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, so that the Scheme can meet its pension obligations as they fall due.

The Scheme was previously closed to new entrants and from 1 April 2014 new accruals ceased. Members of the Scheme were given the option to enrol in one of the Associations' Defined Contribution schemes.

The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

## 23. PENSION OBLIGATIONS (CONT'D)

The Scheme is classified as a 'last-man standing arrangement'. Therefore the Association is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the Scheme was carried out at 30 September 2012. This actuarial valuation showed assets of £394m, liabilities of £698m and a deficit of £304m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the Scheme as follows:

### *Deficit Contributions*

From 1 April 2014 to 30 September 2027: £819,408 per annum (payable monthly and increasing by 3% each on 1st April)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

Where the Scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

	<b>2016</b>	2015
	<b>£000</b>	£000
Present Values of Provision	<b>9,992</b>	9,722

### *Reconciliation of opening and closing provisions*

Provision at start of period	<b>9,992</b>	9,722
Unwinding of the discount factor (interest expense)	<b>213</b>	319
Deficit contribution paid	<b>(772)</b>	(750)
Remeasurements - impact of any change in assumptions	<b>(37)</b>	701
Provision at end of period	<b>9,396</b>	9,992

### *Income and expenditure impact*

Interest expense	<b>213</b>	319
Remeasurements - impact of any change in assumptions	<b>(37)</b>	701

### *Assumptions*

	<b>% per annum</b>	% per annum
Rate of Discount	<b>2.22%</b>	3.42%

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

## 23. PENSION OBLIGATIONS (CONT'D)

### The Scottish Housing Associations' Pension Scheme - defined contribution section ("the DC Scheme")

From 1 April 2014 membership of the DC Scheme was opened to all staff members. All new employees joining the Association will now be auto enrolled into the DC Scheme, to which the Association contributes.

The total cost charged to the profit and loss account of £201,100 (2015: £165,466) represents contributions payable to this scheme by the Association at rates specified in the rules of the scheme. As at 31 March 2016 contributions of £16,414 (2015: £16,037) due in respect of the financial year had not been paid over to the scheme.

### The Places for People Group Stakeholder Scheme ("the Group Scheme")

Employees joining the Association from 1 September 2004 to 1 April 2014 had the option of joining the Group Scheme. From the 1 April 2014 this scheme was closed to new entrants.

The total cost charged to the profit and loss account of £221,186 (2015: £246,172) represents contributions payable to this scheme by the Association at rates specified in the rules of the scheme. As at 31 March 2016 contributions of £18,661 (2015: £21,519) due in respect of the financial year had not been paid over to the schemes.

## 24. CONTINGENT LIABILITIES

There are no contingent liabilities other than those referred to in Note 23 concerning the SHAPS pension scheme.

## 25. LOTTERY GRANT FUNDING

The Association has received restricted grant funding during the year from the Big Lottery Fund. These funds are used to assist clients with money matters and financial inclusion.

	<b>Outdoor Matters</b>	<b>Money Matters</b>	<b>2016 £'000</b>	<b>2015 £'000</b>
At 1 April	30	31	61	16
Grant money received in year	94	139	233	179
Expenditure in year	(57)	(132)	(189)	(134)
At 31 March	<u>67</u>	<u>38</u>	<u>105</u>	<u>61</u>

The balance carried forward is included within Creditors: Amounts falling due within one year (Note 19)

## 26. RELATED PARTY TRANSACTIONS

The Association is a subsidiary of the Places for People Group Limited, 80 Cheapside, London, EC2V 6EE. As the ultimate parent company publishes consolidated group accounts the Association has accordingly taken advantage of the exemption not to report transactions with other group members as permitted by FRS102 section 33.1A.

The principal subsidiaries of the Association are Places for People Scotland Limited and Places for People Scotland Care & Support Limited.

## 27. HOUSING ACCOMMODATION

	<b>2016 No.</b>	<b>2015 No.</b>
General needs	5,467	5,287
Support accommodation	781	859
Shared ownership	257	259
Other tenancies	21	21
Managed for others	32	31
	<u>6,558</u>	<u>6,457</u>



## 27. HOUSING ACCOMMODATION (CONT'D)

	General needs housing No.	Supported housing No.	Shared ownership housing No.	Others No.	2016 Total No.	2015 Total No.
Units owned and managed at year end	5,086	680	257	-	<b>6,023</b>	6,036
Units managed not owned at year end	4	28	-	-	<b>32</b>	31
Units owned not managed at year end	381	101	-	21	<b>503</b>	390
	<b>5,471</b>	<b>809</b>	<b>257</b>	<b>21</b>	<b>6,558</b>	<b>6,457</b>
					<b>2016 Total</b>	2015 Total
<b>Units owned not managed at year end by managing body</b>					<b>243</b>	130
Places for People Scotland					<b>106</b>	106
Edinburgh Student Co-op					<b>30</b>	30
West Lothian Council					<b>20</b>	20
Key Moves					<b>19</b>	19
Edinburgh Cyrenians					<b>16</b>	16
City of Edinburgh Council					<b>69</b>	69
Other					<b>503</b>	390

## 28. TRANSITION TO FRS 102

### Explanation of transition to FRS 102 from previous UK GAAP

These are the Association's first financial statements prepared in accordance with FRS 102 and the SORP 2014.

The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended 31 March 2016.

In preparing the FRS 102 and SORP 2014 financial statements, the Association has restated amounts previously reported in accordance with previous UK GAAP and SORP 2010.

An explanation of how the transition for previous UK GAAP and SORP 2010 to FRS 102 and SORP 2014 has affected the Association's financial position and performance is set out below.

### Changes for FRS 102 and SORP 2014

#### *Housing properties and government grants*

Social housing grant can no longer be offset against housing properties within fixed assets under section 24 of FRS 102. Instead, as housing properties are now held at depreciated cost, the grant is measured under the accrual method and amortised over the life of the component assets and is held within creditors.

The effect on the Statement of Financial Position at 1 April 2014 (the date of transition) is an increase in revenue reserves of £2,211,000 relating to grant treatment, revenue reserves are reduced by £26,111,000 in respect of increased depreciation relating to the higher asset carrying value resulting from grant values no longer being netted off. The grant was reduced by £29,797,000 with the equivalent increase in revenue reserves the net effect of these is £5,897,000.

In the year to 31 March 2015, grant amortisation income of £2,499,000 has been recognised in the Statement of Comprehensive Income, alongside £2,247,000 extra depreciation.

#### *Office properties, deemed cost and government grant*

Section 35 of FRS 102 allows companies as first time adopters to elect to measure a class of fixed assets at fair value as a deemed cost. As there is a revaluation, the government grant associated with these properties is recognised under the performance method when grant conditions have been met.

## 28. TRANSITION TO FRS 102 (CONT'D)

The Association has elected to use this option and the effect on the Statement of Financial Position at 1 April 2014 (the date of transition) is an increase in the carrying value of office properties of £77,000 with an equivalent increase in revenue reserves at the date of transition, along with a depreciation write back of £255,000, combined impact of this is £332,000.

In the year to 31 March 2015, the depreciation charge has decreased by £10,000 for office properties and increased by £5,000 for other properties.

### *Investment property*

Section 16 of FRS 102 requires that properties previously held at depreciated cost less grant, but meeting the definition of investment properties to be separately disclosed at fair value, with gains and losses recognised in the Statement of Comprehensive Income.

The effect on the Statement of Financial Position at 1 April 2014 (the date of transition) is an increase in other fixed assets of £1,244,000 and the equivalent increase in revenue reserves along with a write back of depreciation of £219,000.

The effect of revaluation of commercial properties results in a decrease in fixed assets of £2,351,000 along with a reduction in revenue reserves of the equivalent amount and a write back of depreciation of £22,000. The combined impact of this is a reduction of reserves by £866,000.

In the year to 31 March 2015, there was an increase in the fair value of investment property of £20,000 along with the reversal of depreciation of £8,000 increasing the surplus for the year combined impact of £28,000 increase.

### *Retirement benefits*

FRS 102 section 28 requires the recognition of the net present value of any contractual agreements to make additional payments for a past deficit.

The Association has such an arrangement in respect of some employees being members of the SHAPS pension scheme.

The effect on the Statement of Financial Position at 1 April 2014 (the date of transition) is the recognition of a liability of £750,000 in creditors due in less than one year and £8,972,000 in creditors due in more than one year, with an equivalent reduction in revenue reserves.

In the year to 31 March 2015, operating costs have been reduced by £49,000 to reflect the liability movement in the year, alongside an interest expense of £319,000 relating to the unwind of the discount on the liability.

### **Summary of changes due to adoption of FRS 102**

	£000	£000
<i>Reserves at 31 March 2015 stated under UK GAAP</i>		<b>71,042</b>
Housing properties and accruals method for grant accounting/ additional depreciation impact at date of transition	<b>5,897</b>	
Valuation used for deemed cost for office properties at date of transition	<b>332</b>	
Investment Property uplift at the date of transition	<b>(866)</b>	
Retirement benefits - SHAPS liability at date of transition	<b>(9,722)</b>	
Recalculation of office depreciation and other fixed assets in the year ended 2015	<b>(5)</b>	
Investment property uplift/reversal of depreciation in the year ended 2015	<b>28</b>	
Housing properties and accruals method for grant accounting/ additional depreciation impact in the year ended 2015	<b>252</b>	
Retirement benefits - SHAPS liability impact in the year ended 2015	<b>(270)</b>	
Total Net Transition Adjustments		<b>(4,354)</b>
<i>Restated reserves at 31 March 2015</i>		<b>66,688</b>